

AUTO BODY SALES TAX EXEMPTION

Prior Law _____

Auto body repair shops can claim the resale exemption for items purchased for use in connection with auto body repair services if the auto body repair shop can prove that the items are “entirely consumed in connection with the performance of an auto body repair service purchased by the ultimate user.” The exemption is created by changing the definition of “property purchased for resale in connection with the performance of a service.”

Under the prior law, to claim the exemption auto body shops were required to provide specific documentation. However, due to the nature of the auto body repair services, providing the documentation was unworkable.

New Provisions _____

The previous law is clarified by creating a separate sales tax exemption rather than exempting specific tangible personal property used in auto body repair services by changing the definition of “property purchased for resale in connection with the performance of a service.”

Now, chemicals, solvents, sorbent, reagents, or other tangible personal property used in providing a vehicle repair service are exempt from sales tax if the chemicals, solvents, sorbents, reagents, or other tangible personal property:

1. Are directly and primarily used in providing the vehicle repair service;
2. Are consumed or dissipated in providing the vehicle repair service; and
3. Will come into physical contact with the vehicle upon which the vehicle repair service is performed.

Tangible personal property that can be used to provide multiple vehicle repair services, including, but not limited to, machinery, tools, and equipment are not exempt from taxation under this law.

Section Amended _____

Section 10 of 2013 Iowa Acts House File 575 amends Code section 423.1, subsection 39, paragraphs b and c, Code 2013. Section 15 amends Code section 423.3, Code 2013 by adding new subsection 99.

Effective Date _____

July 1, 2013.

13 HF 575-C